

Affordable Insurance Exchanges: Choices, Competition & Clout for Small Businesses

Starting in 2014, individuals and small businesses will have the same affordable insurance choices as Members of Congress and will be able to purchase private health insurance through State-based competitive marketplaces called Affordable Insurance Exchanges. Exchanges will make it easy for individuals and small businesses to compare health plans, get answers to questions, and enroll in or offer to employees a health insurance plan that meets their needs. Individuals will be able to find out if they are eligible for advance payments of premium tax credits and cost sharing reductions or health programs like the Children's Health Insurance Program (CHIP); small businesses will be eligible for the tax credit for coverage purchased through the Exchange.

Exchanges offer Americans competition, choice, and clout. Insurance companies will compete for business on a level playing field, driving down costs. Exchanges will have the same purchasing clout as big businesses and will give consumers a choice of plans to fit their needs.

Overview: Small Business Health Options Programs (SHOPs)

Beginning in 2014, Exchanges will also operate a Small Business Health Options Program—or SHOP—that offers small businesses and their employees new choices. Through the SHOP, employers can offer employees a variety of Qualified Health Plans (QHPs), and their employees can choose the plans that fit their needs and their budget.

SHOPs can help your small business by:

- Simplifying Choices. SHOPs will provide side-by-side comparisons of Qualified Health Plans, their benefits, premiums, and quality.
- Expanding Employee Options. SHOPs will enable you to offer your employees a choice of Qualified Health Plans from several insurers, much as large employers can.
- Preserving Employer Control. You will be able to decide whether and when to participate in SHOP. You will be able to choose your own level of contribution toward your employees' coverage, and make a single monthly payment via SHOP rather than to multiple plans.
- Lowering your costs. SHOP can save your business money by spreading insurers' administrative costs across more employers. In addition, your business may be eligible for small business tax credits when you offer health coverage for your employees through a SHOP.

What is an Affordable Insurance Exchange?

An Exchange is a State-based competitive health insurance marketplace where people and small businesses can shop for and buy affordable private health insurance. By 2014, every State will have an Exchange tailored to its local insurance market. Tax credits will be available for many individuals, families and businesses to help them purchase coverage in the Exchanges.

Starting in 2014, employers and consumers can access an Exchange through the Internet, toll-free call centers, though agents and brokers, in person, or by mail. Members of Congress will also get their coverage through the Exchanges.

Is my business eligible?

Starting in 2014, SHOP or a merged SHOP and individual Exchange will be offered in each State. Businesses with up to 100 employees will be eligible, although States can limit participation to businesses with up to 50 employees until 2016.

How will a SHOP make it easier for my small business to offer health care coverage to my employees?

A SHOP will reduce the burden and costs of enrolling your employees in small group plans, and give you many of the cost advantages and choices enjoyed by large businesses today. SHOP will do the work for you of finding qualified health plans, getting information on their price and benefits, enrolling your employees, and consolidating billing. You choose what share of the premium cost to cover. And, depending on the Exchange in your State, you choose which qualified health plans to offer your employees.

What sort of benefits will SHOP health plans offer?

All plans will cover essential health benefits like those covered by a typical employer health plan. Benefits will be offered in four “tiers” based on the amount of coverage that they provide. SHOP will provide information to you and your workers to allow you to compare benefits across health plans.

How are SHOP plan premiums set?

Under the Affordable Care Act, premiums will no longer be based on the employees’ health or medical history as they now are in many States. Instead, premiums can vary only based on the ages and smoking histories of employees. Some States may opt for even stronger consumer protections. Employees cannot be excluded from a plan or denied plan benefits because of a pre-existing health condition.

What other benefits does a SHOP have?

Besides lowering your costs and increasing your employees’ plan choice, SHOPs can:

- Help you and your employees compare your insurance options available through the SHOP using an Exchange website. This website will help you compare qualified health plans, their benefits, pricing, and quality of different plan options and give employees a clear, simple enrollment form.
- Provide personalized support to answer your questions and help you choose the best coverage option for yourself and your employees.
- Protect your business by ensuring that all qualified health plans meet basic minimum Federal and State standards, such as standards of quality and provider choice.

What’s the difference between a SHOP and the current small group insurance market?

Unlike the current marketplace, a SHOP will:

- Guarantee small businesses a choice of qualified health plans to offer to employees.

- Require health insurers to give you detailed information about the prices, benefits, and quality of their qualified health plans, in a format that lets you easily make “apples to apples” comparisons between qualified health plans.
- Post quality information and the price for each qualified plan on the Exchange website, along with the results of consumer satisfaction surveys.
- Consolidate billing so you can offer workers a choice without the hassle of contracting with multiple insurers.

How can I get access to the SHOP for my small business?

SHOPS are a program of the new Affordable Insurance Exchanges. States have flexibility in whether and how to structure Exchanges that meet local needs. Exchanges ensure that the health insurance plans offered to participants meet minimum standards to protect consumers and choices.

Is my business eligible for a small business health insurance premium tax credit?

Now through 2013, your company may be eligible for a small business premium tax credit of up to 35 percent of your business’ share of the employees’ premium. To be eligible, your company must:

- Have fewer than the equivalent of 25 full-time workers,
- Have an average annual employee wage below \$50,000, and
- Cover at least 50 percent of the cost of health insurance coverage.

Starting in 2014, the maximum tax credit increases to 50 percent of the employer’s share of health insurance coverage, but is available only to small employers who purchase coverage through the SHOP. This larger tax credit will be available for two years.

Non-profit employers meeting the eligibility criteria can receive credits for 25 percent of the employer’s share of premium costs through 2013 and 35 percent of these premium costs for two years starting in 2014.

To learn more about the tax credit after 2014 and to find out if you are eligible for a tax credit right now, go to: www.healthcare.gov/law/provisions/taxcredits/index.html

If I’m not a small business owner or employee, can I purchase health insurance in the SHOP?

No, only small business owners and their employees can buy health insurance through a SHOP. However, individuals without affordable employer coverage have access to an individual Exchange that offers the same kind of competitive marketplaces as the SHOP.

Posted on: July 11, 2011